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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

In the matter of

Access Reform Tariff Filings

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Federal Communications Commission
Office of Secretary

REPLY OF ITCs, INC.
TO THE PETITION OF AT&T CORP. ON
RATE-OF-RETURN LEC TARIFF FILINGS

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**REPLY OF ITCs, INC.
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Pursuant to Section 1.773(b) of the Commission's Rules, ITCs, Inc., an economic cost consultant to independent telephone companies serving America's rural areas, on behalf of Chariton Valley Telephone Company, Dekalb Telephone Cooperative, Inc., ETEX Telephone Cooperative, South Central Telecommunications of Kiowa, Inc., South Central Telephone Association - Kansas, South Central Telephone Association - Oklahoma, Tri County Telephone Association, Inc., TCT West, Inc., through counsel, respectfully replies to the Petition of AT&T Corp. ("AT&T"), on Rate-of-Return LEC Tariff Filings filed December 23, 1997. For the reasons detailed below, the Petition of AT&T Corp. should be denied as it relates to the above-referenced companies.

BACKGROUND

1. On December 17, 1997, the above Local Exchange Carriers filed revised interstate access tariffs with the Commission containing revisions to their access rates resulting from Commission Orders In the Matter of Federal-State Joint Board on Universal Service, CC Docket

No. 96-45 (released May 8, 1997) and In the Matter of Access Change Reform, CC Docket No. 96-262, First Report and Order (released May 16, 1997).

2. As required by the Commission, rates for the Kansas and Kiowa areas of the South Central Telephone Association are combined as are those for TCT West and Tri County Telephone Association, Inc.

3. Commensurate with these filings complete Part 36, Part 69 cost studies (together with supporting documentation) were submitted to AT&T for each of the above mentioned companies.

4. On December 23, 1997, AT&T filed the above referenced Petition reflecting numerous complaints ranging from failure to file new tariffs and provide supporting documentation to claiming incomplete and inaccurate rate calculations. AT&T claims that the alleged deficiencies are sufficient to warrant suspension of the companies' tariffs and investigation.

5. ITCs strongly disagrees with AT&T. These companies have carefully followed the requirements of the Commission; they have prepared and submitted the required studies, properly allocated costs, filed their tariff revisions on a timely basis and complied with relevant Commission Rules and Orders.

6. Of great concern to ITCs is the fact that detailed supporting detail was voluntarily supplied directly to AT&T and conversations with AT&T staff were initiated by ITCs in order to provide AT&T every opportunity to question the processes involved and to assist it in obtaining assurances that the rates filed are proper and lawful. Further, ITCs offered to host cost study audits by AT&T; yet at no time did AT&T indicate any concerns. It is difficult for ITCs to understand that given this level of cooperation, AT&T would then petition the FCC for suspension of the subject tariffs.

7. In support of ITCs' opposition to AT&T's Petition, the following specifically addresses each of AT&T's concerns as they apply to the above named companies.

INSUFFICIENT SUPPORTING DOCUMENTATION

8. At II on page 5 of its Petition, AT&T states that there are LECs which have filed rates without any cost support; further in Appendix B AT&T lists South Central Telephone - Kiowa and Tri County Telephone Association. In fact, the studies and work papers for these two LECs were forwarded to AT&T in precisely the same FedEx box as the studies for Chariton Valley, Dekalb Telephone Cooperative, ETEX Telephone and South Central - Oklahoma, all of which were received by AT&T. AT&T has not responded to an offer by ITCs to duplicate and resubmit the two studies in question, on the assumption AT&T cannot still locate them.

9. On the same page of its Petition, AT&T states that certain LECs "filed some cost support, albeit insufficient...." AT&T names DeKalb Telephone Cooperative and ETEX Telephone in this category. Of interest is the fact that the data submitted for these two companies is precisely the same as the data submitted for the Chariton Valley and South Central - Oklahoma, Companies which were not named as providing insufficient cost support.

10. Notably, contrary to AT&T's claim in footnote 10, the cost study did not consist of "high level summaries and/or partial Part 36 separations and Part 69 access charge information, the data were insufficient to perform an adequate analysis at the sub-account detail." In fact, the package supplied to AT&T by ITCs is precisely the same information provided to the National Exchange Carrier Association in support of interstate access pooling and Universal Service Fund payments.

11. This information includes financial information that has been subject to outside audit, and appropriately certified as such; it contains all accounting adjustments along with the removal of detail as prescribed by Part 64 of the Rules. It contains all traffic usage information in support of the allocation factors. Of note is the fact that all traffic study detail has been reconciled to access billing. The information provided includes the categorization of investments which has been reconciled to all investment as accounted for on the balance sheets of each company. Only then were the sub accounted detail subjected to the separations process as provided for in Parts 36 and 69 of the Commission Rules. All details of the separations process were included in the submission to AT&T.

12. The demand data was derived directly from the traffic study and access billing detail and is, therefor, consistent with the factors used in the cost allocation process.

13. The processes used by ITCs were modified such that the cost studies submitted to AT&T properly accounted for the removal of the "weighted" portion of DEM and therefor included the appropriate reallocation of related costs.

OUTDATED COST STUDIES

14. Without naming any of the above LECs, AT&T suggests that outdated information was used in the preparation of filed rates. ITCs, in the development of the rates and in the related support provided to AT&T used the most recent audited financial detail and reconciled traffic usage information, all of which was updated to include the latest available information. Because these rates are based on actual historical data, no adjustments reflecting prospective considerations were used.

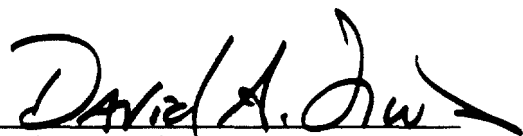
INFLATED TRANSPORT INTERCONNECTION CHARGES AND OTHER ERRORS

15. AT&T implies that many companies' transport interconnection charges are "unjust and unreasonable and fail to comply with the Commission's orders." While none of the above named Companies are named specifically, the implication warrants an assurance to the Commission, AT&T and any other affected party that every effort has been made to ensure that each and every provision of the Commission's Orders have been reviewed, understood and followed in the preparation of the filed rates. Accordingly, ITCs submits that these rates are just reasonable and lawful.

CONCLUSION

16. Given the above and as applied to the above named companies, ITCs respectfully requests denial of AT&T Corp. Petition and that the filed rates be allowed to become effective January 1, 1998.

Respectfully submitted

A handwritten signature in black ink, appearing to read "David A. Irwin", with a long horizontal flourish extending to the right.

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December 29, 1997

CERTIFICATE OF SERVICE

I, Tracy L. Trynock, do hereby certify that I have this 29th day of December, 1997, caused to be sent by facsimile or by hand delivery, copies of the foregoing "Reply of ITCs, Inc. to the Petition of AT&T Corp. on Rate-of-Return LEC Tariff Filings" to the following:

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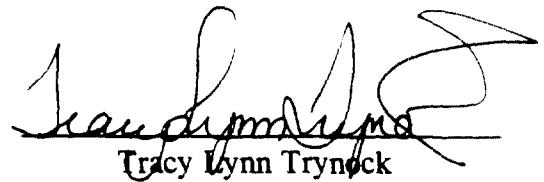
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